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REST 2d CONTR § 205

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Restatement (Second) of Contracts § 205 (1981)

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Restatement of the Law — Contracts  
Restatement (Second) of Contracts  
Current through March 2008

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Chapter 9. The Scope Of Contractual Obligations  
Topic 2. Considerations Of Fairness And The Public Interest

**§ 205. Duty Of Good Faith And Fair Dealing****Link to Case Citations**

**Every contract imposes upon each party a duty of good faith and fair dealing in its performance and its enforcement.**

**Comment:**

*a. Meanings of "good faith."* Good faith is defined in Uniform Commercial Code § 1-201(19) as "honesty in fact in the conduct or transaction concerned." "In the case of a merchant" Uniform Commercial Code § 2-103(1)(b) provides that good faith means "honesty in fact and the observance of reasonable commercial standards of fair dealing in the trade." The phrase "good faith" is used in a variety of contexts, and its meaning varies somewhat with the context. Good faith performance or enforcement of a contract emphasizes faithfulness to an agreed common purpose and consistency with justified expectations of the other party; it excludes a variety of types of conduct characterized as involving "bad faith" because they violate community standards of decency, fairness or reasonableness. The appropriate remedy for a breach of the duty of good faith also varies with the circumstances.